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RR RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR  
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ZNY CCCCC ZZH  
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FM AMEMBASSY MINSK  
TO RUEHC/SECSTATE WASHDC 6100  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHVEN/USMISSION USOSCE 1586  
RUEHBS/USMISSION USEU 0228  
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

C O N F I D E N T I A L SECTION 01 OF 02 MINSK 000465

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E.O. 12958: DECL: 06/01/2017

TAGS: [EPET](#) [PGOV](#) [PINR](#) [BO](#)

SUBJECT: MINISTER-LEVEL PETROCHEMICAL BOSS JAILED BY BKGB

REF: A. MINSK 336

[B.](#) MINSK 037

[C.](#) 06 MINSK 1060

Classified By: Ambassador Karen Stewart for reason 1.4 (d).

Summary

[11.](#) (C) On May 29, the Belarusian State Security Committee arrested Aleksandr Borovskiy, Director of Belarusian government-owned petrochemical holding company, Belneftekhim. Authorities will likely file corruption charges against Borovskiy, although any corruption he engaged in apparently came with the approval and involvement of more senior figures. Sources link the arrest to public statements by Borovskiy contradicting the official line that Russian moves harmed Belarus, but Minsk could cope with increased duties on oil imports. Even if Borovskiy had not voiced dissent, the inability of the Belarusian oil industry to turn significant profits this year meant the minister-level official's job, if not his freedom, was in jeopardy. End summary.

Another Director Bites the Dust

[12.](#) (U) On May 30, Prosecutor General Petr Miklashevich announced that the Belarusian State Security Committee (BKGB) detained Borovskiy and other unnamed suspects on May 29 and that all were still in BKGB custody. Miklashevich said the detentions came as a result of active anti-corruption coordination between the BKGB, the Interior Ministry and the Prosecutor General's office. BKGB spokesperson Valeriy Nadtochayev told reporters authorities had ten days to charge Borovskiy and others, but the period could be extended under certain circumstances.

Least Likely Arrest Motive: Corruption

[13.](#) (C) The Belarusian oil industry has long been characterized by a lack of transparency and no one knows the resting place for much of the profits earned in refining on tolling terms until 2007. Irina Tochitskaya, Deputy Director of the Institute for Privatization and Management's Research Center, told us that Yuriy Chizh (ref B) and several other middlemen in the oil trade were among those arrested, suggesting prosecutors are collecting evidence of kickbacks. (Note: Chizh publicly denied he was arrested, stating he was only questioned and ordered to remain in Belarus as a possible witness. End note.)

[14.](#) (C) However, while Borovskiy may have benefited from illegal acts, he would have been a mere cog in scheme overseen by those within, or close to, the Presidential Administration. Sergey Zhabanov, economics correspondent for

the independent weekly "Belgazeta," said the director would not even have had time to understand the vast Belneftekhim empire of more than 50 companies, let alone create a criminal network during his 17 months on the job. Zhabanov noted Lukashenko claimed personal control over the petrochemical network. Tatyana Manenok of the independent newspaper "Belarusi i rynok" told Deputy Pol/Econ Chief if corruption occurred, Borovskiy would have been "low down on the food chain."

Somewhat Likely Arrest Motive: Finding a Scapegoat

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15. (C) In January, Lukashenko had threatened severe consequences for oil industry heads who did not push refineries full speed ahead (ref B). With the sharp fall of profitability of the petrochemical industry, Borovskiy's dismissal and arrest could serve as part of a government campaign to blame the poor performance on the former director. Zhabanov, however, stated sacking Borovskiy without arresting him would have served the same purpose. Economist Mikhail Zalesskiy also told Deputy Pol/Econ Chief that propaganda about cleaning up corruption would only fly with the most diehard of elderly Lukashenko supporters.

The Real Motives: Disloyalty and Inter-clan Warfare?

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16. (C) A more likely explanation lies in statements Borovskiy made in April at the Naftan oil refinery, a tape of which was then leaked to the press. Borovskiy said the severity of the increase in duties on oil resulted from the incompetence of Vice Prime Minister Andrey Kobyakov, who initially led the Belarusian delegation in talks with Moscow in December. He

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also criticized the decision not to subsidize refineries more heavily, not to spend innovation fund monies on upgrading the refinery, and to construct a nuclear power plant. As Zhabanov explained, Lukashenko might take advice on matters of taste, but he will not stand for criticism of his policies, especially from a member of government.

17. (C) Analyst Aleksandr Potupa gave inter-clan warfare as the primary reason for the arrest of Borovskiy. Borovskiy is married to the sister of House of Representatives Speaker and close Lukashenko confidant Vladimir Konoplyov. Potupa said the ability of the new Belneftekhim director to influence the pick for the head of its new subsidiary Belarusian Oil Company -- registered on May 17 with an aim to supplant private intermediaries in the oil trade -- increased the temptation of clans to fight for the position. He suspects the BKGB and the Presidential Administration will back their as yet unknown candidates. The desire of either of these entities to oust Borovskiy could explain why his April comments were leaked.

Comment: A Shut Up and Kick Down System

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18. (C) Lukashenko cannot brook dissent, especially from anyone in a position of authority (ref C). Given Lukashenko's record of having ministers led out of their offices in handcuffs, Borovskiy should have known better than to criticize important decisions overseen by Lukashenko. If the jailed director believed his close ties to Konoplyov gave him cover, he sadly overlooked the willingness of others with access to the dictator to use any means necessary to put their man or woman in a profitable position at the expense of their competitor.

Stewart